# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:614
ANSWERED ON:23.02.2001
WAYS AND MEANS ADVANCES OF STATE GOVERNMENTS
SULTAN SALAHUDDIN OWAISI

**Will the Minister of FINANCE be pleased to state:**

(a) whether RBI has enhanced the ways and means advance limit of the State Government;

(b) if so, the details of the guidelines issued by the RBI to States in this regard;

(c) whether this step was taken on the recommendation of informal group of State Finance Secretaries; and

(d) if so, the other recommendations of the group accepted by the RBI in regard to finance the State Governments?

## Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCESHRI BALASAHEB VIKHE PATIL

(a) to (d): Based on the recommendations of the informal group of State Finance Secretaries, the RBI has enhanced the Ways and Means advance limit as incorporated in the `WMA Scheme, 2001` w.e.f. February 1,2001.

The main features of the WMA Scheme, 2001 are as under:

i) The normal WMA limit has been enhanced w.e.f. February 1,2001.

ii) The Special WMA continues to be linked to the investments made by the State Governments in the Government of India Securities.

iii) Overdraft Regulation Scheme which will be applicable to the State Governments w.e.f. February 1,2001 is as under:

a) No State shall be allowed to run an overdraft with RBI formore than 12 consecutive working days. In case the overdraft appears in the State`s account and remains beyond 12 consecutive working days, RBI and its agencies shall stop payments on behalfof the concerned State Governments. The extension to 12 days is an adhoc measures subject to review.

b) The overdraft shall not exceed 100 per cent of normal WMA limit.On the first occasion that this is exceeded in a finaicial year, RBI shall advise the State that the overdraft amount should not exceed 100 per cent of normal WMA limit on any subsequent occasion.

c) Without prejudice to clause (a) above, if during the financial year, the amount of overdraft exceeds 100 per cent of WMA limit on a second or any subsequent occasion, the State shall be given only five working days` notice to bring down the overdrart amount within the level of 100 per cent of normal WMA limit. If this is not adhered to payments will be stopped.